

## **Purchasing Contract Administration**

*2005-07 Business Plan*

### **EXECUTIVE SUMMARY**

#### **Activity Description**

RCW 43.19 directs the Department of General Administration to develop state purchasing policy and criteria for determining when centralized rather than decentralized purchasing shall be used to obtain maximum benefit of volume buying, and ensure it is implemented by state agencies and educational institutions; develop procedures for mutual and voluntary cooperation between the state and political sub-divisions for exchange of purchasing services; ensure statutory compliance for purchases of alternative fuel vehicles, recycled products, sheltered workshop and Correctional Industries products; and establish statewide contracts for a broad range of materials and services. This activity is also designated to provide state level administrative support including determination of what data processing equipment shall perform in state-wide purchasing; implement and administer credit card purchasing programs; develop and maintain the state commodity system; and establish and maintain a formal certification program for state employees who are authorized to perform purchasing functions as agents for the state.

Purchasing Contract Administration has a biennial budget of \$6.2M and 41.3 FTEs.

#### **Retrospective**

In 1976 the legislature fixed the responsibility yet over the next 25 years the Purchasing Contract Administration program evolved into a program writing contracts and doing requisition work on customer demand. With so much immediate work to be done the majority of the policy and leadership aspects were never enacted. Then in 2002, we perceived that there was a need for real strategic leadership in the sourcing of the goods and services that are essential to government operations. While term contracts add value, the highest and best use of this asset would be to provide that leadership. The division vision states "The Office of State Procurement is committed to provide the highest and best value contracts and materials management services that result in the greatest socio-economic value for our customers and the state. We seek to provide strategic sourcing policy leadership and expertise for government with a suite of best value services when centralized procurement and logistics needs are the right alternative." In the current biennium the program has strategically focused on increasing competition and outreach to small, minority owned and women owned businesses. We have increased our presence around the state promoting opportunity. We estimate that in FY 04 we will provide 18,000 hours of classroom training to vendors. We have begun collaborating with the purchasing leadership of state government to address environmental sustainability and lay the groundwork for future collaboration.

#### **Prospective**

Data gathering and internal process reviews have already begun. Data will allow us to work with the statewide purchasing community and the authorizing environment to effect meaningful enterprise wide procurement change. Initial figures show that there is annually over \$3 billion in goods and services spend by state agencies of which only 15% is under a state level contract. The process

reviews are to identify any less than optimum process and correct it to free up resources for our strategic initiatives.

**Major Initiatives for the 05-07 Biennium:**

1. Deliver \$20 million in new product and service cost savings while sustaining existing cost saving contracts and practices
2. Generate efficiencies for state government equivalent to 15 FTE's of additional productivity
3. Collaborate with state and local purchasing authorities to create efficient statewide procurement policy
4. Continue to improve access and eliminate barriers to participation in the purchasing process

	05-07	07-09	09-11
<b>Goal:</b>	Economic government. <b>PCA contribution: Strategic sourcing – defined as using a spend analysis to achieve meaningful cost savings on purchased expenses and significantly improve the current procurement practices by applying the most effective and innovative sourcing techniques and technology available in the marketplace.</b>		
<b>Objective(s):</b>	<ol style="list-style-type: none"> <li>1. Collaboratively develop strategic sourcing policy for the state.</li> <li>2. Increase access to government business and foster a competitive contracting environment.</li> <li>3. Improve access to government spend.</li> <li>4. Support implementation of the competitive contracting aspects of the Personnel System Reform Act (PSRA)</li> </ol>		
<b>Strategies:</b>	<p>Create the first annual strategic sourcing plan.</p> <p>Coordinate with other service entities to align activities.</p> <p>Effective use of enabling technologies, using WEBS and other resources to promote contemporary contracting methods.</p> <p>Create master contracts when that is the correct alternative.</p> <p>Develop the skills of our staff to provide greater procurement expertise to the state.</p> <p>Develop state level commodity contracting sophistication that results in contemporary solutions, reduced risk/exposure, and increased accountability.</p> <p>Delegation of purchasing authority to qualified state agencies or to qualified public purchasing communities (change approach from \$ basis to strategic basis).</p> <p>Provide clear and concise policy and guidance.</p> <p>Develop means to obtain accurate, reliable, and on-going reporting data to identify a majority of the statewide spend (03-05 represents only 30% of the statewide spend).</p>	<p>Effective use of enabling technologies (i.e. WEBS Phase 3, reverse auction).</p> <p>Continue delegation of purchasing authority to qualified state agencies or to qualified public purchasing communities.</p> <p>PCA to increase reporting data sophistication to identify all of the statewide spend.</p> <p>Collaborate with OSP partners (customers) for 09-11 strategies.</p>	<p>Effective use of enabling technologies (i.e. data warehouse collection system).</p> <p>Continue delegation of purchasing authority to individual qualified state agencies or to qualified public purchasing communities.</p>
<b>Performance Measures:</b>	<p>\$20 million in new product &amp; service cost savings</p> <p>15 FTE's of additional statewide productivity</p> <p>Skill assessment and developmental plan for all PCA staff</p> <p>Create a consistent supply chain management environment throughout government, measured by 10% of state agencies having received OSP training and certification</p> <p>Four contracts awarded using contemporary contracting methods (i.e. cooperative purchasing, reverse auction, two tier, etc.)</p> <p>Reduced risk/exposure, measured by lower protest/AG costs than 03-05</p> <p>All state agencies trained to implement PSRA rules and PCA poised to provide contracting services upon agency request</p>	<p>Target savings will be determined in 05-07 (tentative \$20 million)</p> <p>Continue to increase FTE productivity</p> <p>50% of customer base has received OSP training and are qualified for delegation of purchasing authority</p> <p>Five new contracts awarded, using the spend reporting data</p>	<p>Target savings will be determined in 07-09</p> <p>Continue to increase FTE productivity</p>